

INTRODUCTION

In the period of a little over 10 years since the introduction of the first general-purpose electronic computer at the Bureau of the Census in the Department of Commerce, the use of electronic computing devices has expanded widely throughout the Federal Government. This equipment is being used in a great variety of Government operations and for many different purposes.

As of June 30, 1962, there were approximately 1,006 electronic computers¹ installed in Federal Government agencies. Of this total, 867, or 86 percent, were leased and only 139 had been purchased by the Government. Rental payments for the use of leased equipment were approximately \$145 million for the fiscal year 1962.

The General Accounting Office has made a study of the relative financial advantages of purchasing the electronic data processing (EDP) equipment used by the Federal Government over the practice of leasing such equipment. This study was prompted in the first instance by the Subcommittee on Census and Government Statistics of the Committee on Post Office and Civil Service, House of Representatives, which conducted hearings in 1959 on the use of electronic data processing equipment in the Federal Government.

At that time, members of the subcommittee raised a question as to the economic aspects of the apparently predominant practice in the Federal Government of leasing electronic data processing equipment rather than purchasing it. The suggestion was made that the General Accounting Office and the Bureau of the Budget inquire into this policy. Other congressional committees have also expressed interest in this problem.

Federal agency policies and practices in the procurement of EDP equipment were studied by both our Office and the Bureau of the Budget. On August 26, 1960, and November 8, 1961, our Office submitted to the subcommittee two short reports on the results of these joint studies. The second of these reports transmitted a copy of Bureau of the Budget circular No. A-54, which had been issued in October 1961, to prescribe policies on selection and acquisition of automatic data processing equipment to be observed by Federal agencies and contractors operating Government-owned facilities. These reports and the circular A-54 summarize the principal factors requiring consideration in management decisions as to the method of acquiring ADP equipment and are accordingly included in this report as appendix I.

In the meantime, the General Accounting Office undertook a more comprehensive study of the relative financial advantages of the two basic methods of procuring the use of EDP equipment, and the results of this extended work is the subject of this report.

GENERAL SCOPE OF STUDY

The principal part of our additional study consisted of selecting 18 electronic data processing system models, which we consider to be generally representative, and computing the comparative costs over a 5-year period of use of such machines by leasing and by purchasing.

The factors considered in making these computations are described on pages 15 to 18, and the results of these computations are summarized in exhibits A, B, and C.

During this study, we also reviewed selected instances as to individual Federal agency action on price reductions announced by manufacturers for the purchase of data processing equipment.

SUMMARY OF CONCLUSIONS AND RECOMMENDATION

The cost comparisons made in our study demonstrate that very substantial amounts of money can be saved by the Federal Government in the years to come if, in acquiring the use of needed data processing equipment, proper cost comparisons are made in advance, action is taken to purchase equipment when such comparisons indicate the financial advantage of such action, and effective procedures exist to obtain the fullest, practicable utilization of such equipment by Government agencies.

¹ Electronic data processing machines estimated to be installed in Federal Government operations, exclusive of those used for military tactical operations, intelligence, surveillance systems, and certain other military programs. The source of these statistics is the "Inventory of Automatic Data-Processing (ADP) Equipment in the Federal Government" published by the Bureau of the Budget, August 1962.